

## REMARKS

Claims 1-28, 96, 104-105, 113-115, and 124 are pending in the application.  
Claims 1 and 28 have been amended.

### Amendments to the Claims

Applicants have amended their claims to recite:

“establishing, on said trading system, a plurality of separate contracts within contract bundles, each contract bundle paying off an aggregate fixed monetary sum at maturity, the aggregate fixed monetary sum at maturity known when the contract bundles are established, and wherein each contract bundle comprises at least two separate contracts” (independent claim 1),

and

“[a] computer network-based contract trading system, including a communications interface, a plurality of processing modules for formation, sale, resale and settlement of separate contracts within contract bundles, each of said contract bundles comprising at least two separate contracts wherein each contract bundle pays off an aggregate fixed monetary sum at maturity, the aggregate fixed monetary sum at maturity known upon the formation of the contract bundles,” (independent claim 28).

Applicants’ amended claims are supported by Applicants’ specification.  
Specifically, referring to Applicants’ specification (emphasis added):

[0037] The computer-network based system enables transactions relating to bundles of futures contracts, where each bundle includes at least two futures contracts, each of which corresponds to one of at least two future possible outcomes of a phenomenon at a time of maturity of the contracts. The futures contract bundles are defined to pay an aggregate fixed sum at maturity and each of constituent futures contracts pay the fixed sum at maturity upon the happening of the future possible outcome of the phenomenon associated with that particular risk management contract.

Conversely, each of the risk management contracts pay a zero sum at maturity upon the non-happening of the future possible outcome of the phenomenon associated with that specific risk management contract.

[0062] A "contract bundle" is a collection of contracts whose aggregate payoff at date T in any state of nature is \$10. For instance, suppose  $S=\{s_1, s_2, s_3, s_4, s_5\}$  is a complete set of possible states for a given event. Then a bundle might consist of the set  $\{A, B, C, D, E\}$  of 5 contracts. In this example:

[0063] At time T, contract #1 (A) pays off \$10 if state  $s_1$  occurs, and \$0 otherwise.

[0064] At time T, contract #2 (B) pays off \$10 if state  $s_2$  occurs, and \$0 otherwise.

[0065] At time T, contract #3 (C) pays off \$10 if state  $s_3$  occurs, and \$0 otherwise.

[0066] At time T, contract #4 (D) pays off \$10 if state  $s_4$  occurs, and \$0 otherwise.

[0067] At time T, contract #5 (E) pays off \$10 if state  $s_5$  occurs, and \$0 otherwise.

[0068] Because the possible states for a given event  $\{s_1, s_2, s_3, s_4, s_5\}$  are mutually exclusive, and because the set S includes all possible outcomes, one (but only one) of the states will be achieved at time T. Thus, regardless of which one of the states is achieved at time T, the aggregate value of the contract bundle will always be \$10.

Further, Applicants teach "an event contract may *pay off* either \$10 or \$0 depending on the outcome of a specified event. If a particular criteria is met (i.e. a particular outcome occurs), then the claim pays off \$10." Application Paragraph No. 0055 (emphasis added). Thus, one contract in Applicants' exemplary contract bundle is for the occurrence of the event and the other contract in the exemplary contract bundle is for the non-occurrence of the event. Accordingly, in this example, Applicants teach *paying off* an aggregate fixed monetary sum at maturity of  $\$0 + \$10 = \$10$ .

### **The Present Office Action**

The Examiner continues to assert that U.S. Patent No. 7,206,755 to Muralidhar ("Muralidhar") discloses derivatives (contract bundles) and paying off an aggregate fixed sum at maturity, the fixed sum known when contract bundles are established (providing a pre-specified payoff of a fixed sum at maturity, col. 2 line 64 to col. 3 line 14; col. 4 lines 31-34; col. 6 lines 45-53)." Office Action, p. 3. Accordingly, the Examiner maintains the rejection of Applicants' claims 1-28, 104-105, 113-115, and 124 under 35 U.S.C. § 103(a).

Applicants respectfully traverse the rejection. Muralidhar does not disclose contract bundles paying off an aggregate fixed monetary sum at maturity, the aggregate fixed monetary sum known when contract bundles are established. Instead, Muralidhar teaches paying off "the right to purchase tickets at a predetermined price." Muralidhar, col. 6 lines 45-53 (emphasis added). Thus, Muralidhar teaches paying off an option to purchase tickets at maturity. The recipient of the option may or may not exercise the option. If the recipient of the option exercises the option, the recipient spends additional money to purchase the tickets. If the recipient does not exercise the option, the recipient spends no additional money to purchase the tickets and is out the cost of purchasing the option. In no case is the recipient of Muralidhar receiving an aggregate fixed monetary sum at maturity.

Applicants set forth in entirety the Examiner's citations and respectfully invite the Examiner to specify where in the following citations Muralidhar discloses derivatives (contract bundles) paying off an aggregate fixed monetary sum at maturity, the aggregate fixed monetary sum known when the contract bundles are established:

Muralidhar, col. 6 lines 45-53:

In accordance with the invention, an option is preferably an event-strike option with the following characteristics: the individual purchaser of the option acquires the right to purchase tickets at a predetermined price (or the payoff) from the seller of the option, should the competitor on whom they chose the option advance to a pre-specified higher

round of competition (or the strike event). The maturity of the option is the date on which it is finally/irrevocably decided whether the competitor progresses or not. If the competitor on whom the option was purchased does not qualify for the specified round of competition, the option expires worthless and the owner of the option receives no compensation.

Muralidhar, col. 2 line 64 to col. 3 line 14:

Generally speaking, options represent the right to acquire or dispose a specified asset at a predetermined price within a defined time period. The predetermined price is referred to as the "strike price" and the date on which the option ceases to be effective is called its maturity/expiration date. These parameters, along with the current market value of the underlying asset, largely determine the value of the option. Other factors in the valuation are the volatility of the value of the underlying asset (a measure of the probability that the current value will be favorable vis-a-vis the strike price) and the interest rate (to quantify the carrying cost or the cost of financing the purchase). For a detailed discussion on options, see John Hull "Options, Futures and Other Derivative Securities," Prentice Hall--Chapter 7. Alternative forms of options have included those that provide a pre-specified payoff when an event occurs during a defined time period.

Muralidhar, col. 4 lines 31-34:

And an additional object of the invention relates to the creation, marketing, trading and valuation of derivative financial instruments based on various attendance right options.

As evidenced by the above, Muralidhar does not disclose contract bundles paying off an aggregate fixed monetary sum at maturity, the aggregate fixed monetary sum known when the contract bundles are established.

Pursuant to MPEP §2143.03, "[t]o establish prima facie obviousness of a claimed invention, all the claim limitations must be taught or suggested by the prior art. All words in a claim must be considered in judging the patentability of that claim against the prior art. If an independent claim is nonobvious under 35 U.S.C. 103(a), then any claim

depending therefrom is nonobvious.” (Internal citations omitted). Respectfully, the Examiner cannot satisfy this burden, because, among other things, all of the claim limitations of Applicants’ independent claims are not taught or suggested by the prior art. Specifically, Muralidhar does not disclose contract bundles paying off an aggregate fixed monetary sum at maturity, the aggregate fixed monetary sum known when the contract bundles are established. In light of the deficiencies of the Muralidhar reference, it would be incumbent upon the teachings of Shepherd or Van Slyke to overcome the failings of Muralidhar. However, neither Shepherd nor Van Slyke cures the deficiencies of Muralidhar.

Applicants’ amended claims are patentable over U.S. Patent Application Publication No. US 2002/0042770 A1 to Van Slyke et al. (“Van Slyke”). Van Slyke does not teach or suggest *establishing a contract bundle paying off an aggregate fixed monetary sum at maturity*. Instead, Van Slyke Paragraph Nos. 268-269 teach establishing an *unbundled* Liquid Insurance Contract (“LIC”) that optionally may later be bundled with another already established (and unbundled) LIC. Even if Van Slyke optionally bundles two already established LICs, this bundle will not *pay off an aggregate fixed monetary sum at maturity, the aggregate fixed monetary sum at maturity known upon the formation of the contract bundle*. Indeed, Van Slyke’s abstract expressly states that (emphasis added): “A liquid insurance contract (LIC) comprises a security which is traded or tradable and which has cash flows to the issuer based upon a liability whose exact value is unknown at the time of issuance.”

Further, Applicants’ amended claims are patentable over U.S. Patent No. 5,970,479 to Shepherd (“Shepherd”). Shepherd does not teach or suggest paying off an *aggregate fixed monetary* sum at the time of maturity. In relevant part, Shepherd col. 4, lines 18-21 states (emphasis added): “stakeholders can input contract data representing at least one offered contract in at least one predetermined phenomenon, each said phenomenon having a range of future outcomes.”

Additionally, as independent claim 28 includes similar elements to those of independent claim 1, claim 28 is likewise patentable for at least the same reasons. Furthermore, as a dependent claim incorporates by reference all the limitation of the claim from which it depends (see 35 U.S.C. § 112 ¶ 4), claims 2-27, 96, 104-105, 113-115, and 124 are allowable for at least the same reasons as the independent claim from which they depend.

Under MPEP § 2143.01 (III) (emphasis in original):

The mere fact that references can be combined or modified does not render the resultant combination obvious unless \*the results would have been predictable to one of ordinary skill in the art. KSR International Co. v. Teleflex Inc., 550 U.S. \_\_\_, \_\_\_, 82 USPQ2d 1385, 1396 (2007) ("If a person of ordinary skill can implement a predictable variation, § 103 likely bars its patentability. For the same reason, if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond his or her skill."). Here, there is no evidence in the references or provided by the Examiner to show how the right to purchase event tickets of Muralidhar may be applied to Shepherd and Van Slyke to result in Applicants' claimed invention.

## CONCLUSION

The Examiner is respectfully reminded of MPEP § 706.07(e):

The examiner may withdraw the rejection of finally rejected claims. If new facts or reasons are presented such as to convince the examiner that the previously rejected claims are in fact allowable or patentable in the case of reexamination, then the final rejection should be withdrawn.

Based on the foregoing remarks and amendments, Applicants believe the final rejection should be withdrawn and the application should be allowed.

Although amendments have been made, no acquiescence or estoppel is or should be implied thereby. Rather the amendments are made only to expedite prosecution of the present application, and without prejudice to presentation or assertion in the future of claims on the subject matter affected thereby. Applicants reserve the right to pursue the original claims and/or similar claims in subsequent amendments, continuations or other descendents of the present application.

If the Examiner has questions regarding the case, the Examiner is invited to contact Applicants' undersigned representative at the number given below.

Respectfully submitted,  
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